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IN THE

Supreme Court of the United States

OCTOBER TERM, 1944.

No. 377

PRECISION INSTRUMENT MANUFACTURING COMPANY, KENNETH R. LARSON, AND SNAP-ON TOOLS CORPORATION,

Petitioners,

vs.

AUTOMOTIVE MAINTENANCE MACHINERY COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

and

BRIEF IN SUPPORT THEREOF.

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THE DUNTHORP-WARREN PRINTING COMPANY, 310 WEST JACKSON, CHICAGO

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AUTOMOTIVE MAINTENANCE MACHINERY COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioners, Precision Instrument Manufacturing Company, Kenneth R. Larson, and Snap-On Tools Corporation, respectfully pray for a writ of certiorari to the United States Circuit Court of Appeals for the Seventh Circuit, to review the judgment entered by that court June 26, 1944, reversing the judgment of the District Court dismissing Respondent's complaint for patent infringement because of Respondent's unclean hands (R. 1210-1224).

A Short Statement of the Case.

Respondent brought suit against Kenneth R. Larson and Precision Instrument Manufacturing Company for patent infringement and breach of contract. The contracts, entered into before any patents were issued, forbade those parties from selling certain torque wrenches and from contesting validity of patents claims not yet even drafted (R. 2-7, 914-923).

These tools are made practically exclusively for the armed services and armament program (R. 565).

Snap-On Tools Corporation, by Petition for Declaratory Judgment (R. 15-36) and Order of Consolidation (R. 88) became impleaded as a defendant in the cause, it being the sales outlet for Precision.

The suit was brought for the enforcement of three of Respondent's patents, one to Larson (R. 1148-1157) and two to Zimmerman (R. 1160-1198), all of which were involved in the Larson-Zimmerman interference, and contracts (Def. Ex. 4 and 5, R. 914-923) which were acquired by Respondent together with the application for the Larson patent in settlement of that interference after Respondent and its attorneys discovered that Larson's proofs in the interference were perjured and his claims to inventorship were false (Findings 5-16, R. 1123-1125).

Subsequent to the settlement Larson developed a torque wrench different from the one involved in the interference. Public disclosure of this wrench in commercial channels led Plaintiff to expand the claims in the Larson application. Upon issuance of the patent, Plaintiff sued petitioners for the manufacture and sale of this new wrench.

In the District Court Petitioners sought and procured a separate trial on the issue that the contracts sued upon were invalid because procured by Respondent in conceal-

ing the crime of perjury and suppressing evidence thereof in violation of Title 18, U. S. Code, secs. 250, 251 (R. 89; Answer para. 7 (b) R. 8-9, Pet. para. 30, R. 30-32).

After a trial of nine days in the District Court, in which all of the witnesses to the questioned transactions were heard in open court, the District Court delivered an oral opinion, which was subsequently withdrawn upon the *ex parte* request of Mr. Hobbs, at one time attorney for Larson and later a witness for the Respondent in the case (R. 1126).

The District Court thereupon entered Findings of Fact and Conclusions of Law and judgment ordering the complaint dismissed because of Respondent's unclean hands (R. 1121-1126, 1127).

The salient findings of the District Court, entered upon the issue of unclean hands which the District Court raised *sua sponte*, held that Larson's proofs in the interference had been perjured, that Respondent's attorneys learned that but did nothing about it until after the perjury was pleaded in this case, and that Respondent's conduct in remaining silent after securing the evidence of that perjury and "in seeking to exploit the contracts and (Larson) patent application procured in the settlement of the Larson-Zimmerman Interference, has so infected its causes of action with unclean hands that a court of equity can not entertain the suit or any prayer for relief" on Respondent's behalf (Finding 16, R. 1125).

The salient findings are:

> 7. Within a week after Larson's proofs in the Interference closed, plaintiff's attorney had procured an eighty-four page statement from Thomasma (called in the trial the Thomasma affidavit), subsequently sworn to on November 15, 1940, which related in extensive detail the statements of Thomasma with respect to Larson's early work and disclosed such inti-

mate knowledge thereof as to leave little doubt of the author's knowledge of the facts. In that statement, Thomasma claimed authorship in 1938 of the drawing offered by Larson as the work of a highschool boy in 1936 and introduced as proof of Larson's early work, and at the same time, Thomasma produced other drawings later submitted to a handwriting expert by plaintiff, as proof of his claim.

• • • • • •

10. The oral testimony in this consolidated cause is in irreconcilable conflict. It does disclose that if Larson's proofs in the Interference had been true, he would have proved priority of invention two or three years earlier than Zimmerman.

11. The proofs establish that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson knew his Interference proofs were insufficient.

• • • • • •

13. Not one of the parties or attorneys involved in the Larson-Zimmerman Interference settlement had taken any steps to inform the proper officials of the perjury in that proceedings until the defense of unclean hands was pleaded in the two cases now consolidated.

• • • • • •

16. Plaintiff's conduct in remaining silent after securing the Thomasma affidavit and in seeking to exploit the contracts and patent application procured in the settlement of the Larson-Zimmerman Interference, has so infected its causes of action with unclean hands that a court of equity cannot entertain the suit or any prayer for relief on plaintiff's behalf (R. 1123-1125).

On appeal the Circuit Court of Appeals delivered a fifteen page opinion (R. 1210-1224) confining its review to a consideration of the facts and the credibility of the witnesses heard and found by the District Court to be irreconcilable conflict, and "in direct conflict, both with testimony of other witnesses, pretrial testimony, and the many documents in evidence" (Finding 4, R. 1123). The reviewing

court, after discarding all evidence accepted by the District Court, found that there was no substantial evidence to support the findings of fact, that the conclusions of law could not therefore be supported, and that Respondent's hands were not unclean (R. 1224).

The issues yet to be tried are ordinary questions of infringement of the Larson and Zimmerman patents, and validity thereof, unless Petitioners are estopped by the disputed contracts to contest validity of those patents in spite of provisions in the contracts violating the Sherman Act.

The conclusion of the Circuit Court of Appeals was reached by a tortured argument based upon the statement made by the District Court when it withdrew its oral opinion, upon an *ex parte* application made without notice to counsel by M. K. Hobbs, the former attorney for Larson and witness for Respondent:

"MEMORANDUM.

"In this case, the court rendered an oral opinion at the closing of the arguments. At the request of M. K. Hobbs, an attorney who testified in the case, the court has re-examined the record.

"It was not the intention of the court that the statements in the opinion should be construed as implying that Mr. Hobbs had willfully given false testimony or had been guilty of professional misconduct. Accordingly, the oral opinion is withdrawn and is not to be filed as a part of the record. The Court has entered written findings and conclusions. It appears from an examination of the record that the witness Hobbs did not testify falsely; that he has adhered to the rules which govern the relations existing between attorney and client and that he was not guilty of any professional misconduct or criminal act.

"IGOE,
"United States District Judge."

(R. 1126.)

This "Memorandum" was filed simultaneously with the entry of the Findings of Fact.

The Circuit Court of Appeals found this random observation of the District Court "that the witness Hobbs did not testify falsely," warrant for rejection of all evidence in conflict with Hobbs' testimony, and overthrew the Findings of Fact, saying:

> "However, the District Court informs us that Hobbs told the truth, and **it is our duty to disregard all other evidence which cannot be reconciled therewith**" (R. 1221).

The Circuit Court of Appeals thereupon, in violation of Rule 52 (a), tested the credibility of all of the witnesses against that of Hobbs, found everything contradicting Hobbs false, and completely ignored the contemporaneous documents and positive statements even of Respondent's witnesses supporting the findings.

The court then scrapped all of the findings of fact of the District Court (R. 1224).

The Court of Appeals ignored the salient facts that the Larson patent was conceived in fraud and supported by repeated fraudulent oaths of the applicant in the United States Patent Office.

The facts other than this history of the case are treated in the Brief in support of this Petition.

Opinions Below.

The opinion of the Circuit Court of Appeals appears in the Record, pp. 1210-1224, and in 143 F. 2d 332.

The oral opinion of the District Court was withdrawn from the record, and a "Memorandum" to that effect filed (R. 1126) at the time of the entry of Findings of Fact and Conclusions of Law (R. 1121-1126). The Circuit Court

of Appeals treated this "Memorandum" as an opinion superseding the explicit findings of fact filed at the same time.

Jurisdiction.

The jurisdiction of this Court is invoked under section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (Title 28, U. S. Code, Sec. 347).

The judgment of the Circuit Court of Appeals was entered June 26, 1944.

Questions Presented.

1. Where a plaintiff sues in equity to enforce a patent and a contract to estop contest of its validity, and it is established that

a. The application for the patent was filed by an alleged sole inventor (Larson) when it was clearly developed by applicant and another;

b. The applicant (Larson) thereafter repeatedly filed in the United States Patent Office false oaths as to the date of the alleged invention;

c. Applicant (Larson) and several others testified falsely in support of the false oath in a Patent Office interference;

d. Plaintiff (Respondent), an adverse party in the interference, procured documentary proof of the perjury, demanded and procured a settlement of the interference for that reason;

e. Plaintiff in the settlement procured assignment to it of the patent application of the applicant (Larson) who had testified falsely and a contract of the applicant not to contest validity of that and two other patents, none of which had been allowed or issued, and a covenant to discontinue sales of wrenches not then patented, those patents and the contract being the subject of the instant litigation;

f. Plaintiff without further aid or oath of Larson,

more than two years after the Larson application was filed, expanded the Larson application from fourteen claims to thirty-two claims;

g. Plaintiff and its agents remained wholly silent about the perjury it had discovered and employed to procure the Larson patent and the contract in restraint of trade with respect thereto, until Larson pleaded the facts in this case;

may a District Court following *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, dismiss plaintiff's complaint because plaintiff's conduct has infected its cause with unclean hands?

2. Does the public policy expressed in Criminal Code, section 146 (Title 18, U. S. C., sec. 251), requiring disclosure of knowledge of the commission of a crime, permit a District Court, in the exercise of its equitable discretion, to deny relief on the ground of unclean hands to a plaintiff (Respondent) seeking to enforce in equity a patent and a contract procured in settlement of a patent interference in which plaintiff discovered perjury by its adversaries and employed knowledge of that perjury to procure the contested patent application and the contract?

3. In a case in which the District Court has found the testimony in irreconcilable conflict and stated in a "Memorandum" that "it appears from an examination of the record that the witness Hobbs did not testify falsely," does a Circuit Court of Appeals have a "duty to disregard all other evidence which cannot be reconciled" with that witness' testimony, and sweep aside all the findings of fact concurrently entered by the District Court?

Reasons Relied on for Allowance of the Writ.

The discretionary power of this Court to grant the writ of certiorari is invoked upon the following grounds:

1. The decision of the Circuit Court of Appeals reversing the District Court's explicit findings of unclean hands is in direct conflict with the decisions of this Court in *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240; *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. ....., and *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, and presents an important question with respect to administration of the patent laws.

2. The decision of the Circuit Court of Appeals on the power of the Chancellor is in direct conflict with the rule announced by this Court in *Meredith* v. *Winter Haven*, 320 U. S. 228, 235:

> "An appeal to the equity jurisdiction conferred on federal district courts is an appeal to the sound discretion which guides the determinations of courts of equity * * *. Exercise of that discretion by those, as well as by other courts having equity powers, may require them to withhold their relief in furtherance of a recognized, defined public policy."

3. The decision of the Circuit Court of Appeals, employing a remark in a "Memorandum" of the District Court on the credibility of one witness as a mandate "to disregard all other evidence which cannot be reconciled" with his testimony, is in direct conflict with the rule announced by the Eighth Circuit Court of Appeals in *United States* v. *Flower*, 108 F. 2d 298, 301; and *American Ins. Co.* v. *Scheufler*, 129 F. 2d 143, 146; and by this Court in *Stone* v. *United States*, 164 U. S. 380, 383, and *Loeb* v. *Trustees of Columbia Tp.*, 179 U. S. 472, 483, that a reviewing court is "not at liberty to refer to the opinion (of the trial court) for the purpose of eking out, con-

trolling, or modifying the scope of the findings." (164 U. S. 383.)

4. The decision of the Circuit Court of Appeals announces a construction of Federal Rule of Civil Procedure 52 (a) which directly conflicts with the terms of the rule and numerous decisions of other Circuit Courts of Appeals, and decides an important question of federal law which has not been and should be settled by this Court.

WHEREFORE, your Petitioners respectfully pray that a Writ of Certiorari be issued to review the judgment of the United States Circuit Court of Appeals for the Seventh Circuit in this cause.

Respectfully submitted,

WILL FREEMAN,

CASPER W. OOMS,
Counsel for Petitioners

Chicago, August 14, 1944.

IN THE

Supreme Court of the United States

October Term, 1944.

No.....

PRECISION INSTRUMENT MANUFACTURING COMPANY, KENNETH R. LARSON, AND SNAP-ON TOOLS CORPORATION,

Petitioners,

vs.

AUTOMOTIVE MAINTENANCE MACHINERY COMPANY,

Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

The Chancellor Was Empowered in His Discretion to Dismiss the Complaint of Plaintiff for Patent Infringement Where Plaintiff Sought to Enforce a Patent and a Contract Procured by Plaintiff from Its Adversaries in an Interference Proceeding After and Because Plaintiff Discovered Perjury in the Interference and Where Plaintiff Concealed That Perjury Until It Was Pleaded by Others in This Cause.

The doctrine of unclean hands as a ground for dismissal of a complaint in equity has been clearly set forth by this

Court in *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, 244-246, where this Court said:

"'* * * the governing principle is 'that whenever a party who, as *actor*, seeks to set the judicial machinery in motion and obtain some remedy, has violated conscience, or good faith, or other equitable principle, in his prior conduct, then the doors of the court will be shut against him *in limine;* the court will refuse to interfere on his behalf, to acknowledge his right, or to award him any remedy.' Pomeroy, Equity Jurisprudence, 4th ed., § 397. This Court has declared: 'It is a principle in chancery, that he who asks relief must have acted in good faith. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently or who by deceit or any unfair means has gained an advantage. To aid a party in such a case would make this court the abetter of iniquity.' *Bein* v. *Heath*, 6 How. 228 247. And again: 'A court of equity acts only when and as conscience commands, and if the conduct of the plaintiff be offensive to the dictates of natural justice, then, whatever may be the rights he possesses and whatever use he may make of them in a court of law, he will be held remediless in a court of equity.' *Deweese* v. *Reinhard*, 165 U. S. 386, 390.

"But courts of equity do not make the quality of suitors the test. They apply the maxim requiring clean hands only where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation. They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication. Story, id., § 100. Pomeroy, id., § 399. They apply the maxim, not by way of punishment for extraneous transgressions, but upon considerations that make for the advancement of right

and justice. *They are not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.*" (Emphasis ours.)

This same principle was announced and applied by this Court in *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. ..... and *Morton Salt Co.* v. *Suppiger*, 314 U. S. 488, 493-494.

While those cases were all patent cases, as is the present case, the rule enforced is but part of the more extensive doctrine stated by this Court in *Meredith* v. *Winter Haven*, 320 U. S. 228, 235, that a chancellor may withhold relief in furtherance of a recognized defined public policy.

In the cause before the Court, the Chancellor dismissed the Complaint on a finding that Plaintiff and its attorneys had discovered perjury by Plaintiff's adversaries in a Patent Office Interference, and after procuring from the perjurors the patent application involved in the perjury, and a contract including estoppel to contest validity of any claims that might issue in that patent application, remained silent and failed to inform the proper officials of the perjury, as required by Criminal Code, § 146, and actually sought the aid of equity in exploiting the patent and contract (Finding 16, R. 112-5).

The Circuit Court of Appeals reversed the Chancellor on the ground that "no duty devolved upon Plaintiff to report its information to either the District Attorney or the Patent Office" (R. 1221).

Criminal Code, § 146, is not only the definition of a crime which permits criminal prosecution for its violation but is, with Criminal Code, § 145, an expression of "recognized, defined public policy" by which the Chancellor was properly guided in denying relief to the Plaintiff when Plaintiff sought in a court of equity to exploit a patent

and contract procured by its discovery and concealment of the patent applicant's perjury.

That the Facts in the Case Warranted the Chancellor's Findings and Conclusions Is Evident from the Most Cursory Review Thereof.

In November, 1937, one Thomasma, long an employee of Plaintiff, disclosed to Larson, Petitioner, Thomasma's concept of a torque wrench (R. 962).

In the fall of 1937, Larson and Thomasma together worked out a wrench (R. 219) which Thomasma testified was his "idea" (R. 316) and "his conception" (R. 323).

Subsequently, in December 1938, Larson, Thomasma and others organized Precision Instrument Manufacturing Company to make these wrenches and to supply Snap-On Tools Corporation with the wrenches (R. 221).

Petitioner Snap-On made arrangements to file a patent application for Larson, who was without funds, and took an assignment of the Larson application as security for his performance of their trial order agreement (R. 385, 386). Larson's application was filed on October 1, 1938, with 14 claims, set forth in the record (R. 907-911).

In October 1939, the Patent Office declared the Larson-Zimmerman Interference. Thereupon, Larson filed a preliminary statement under oath, setting forth false dates as to the time of his conception, reduction to practice, etc. Larson had previously filed a false oath under Patent Office Rule 93, and subsequently refiled his false preliminary statement (R. 392-393, 396).

Plaintiff discharged Thomasma in June, 1939, because of his refusal to explain his connection with Precision Instrument Manufacturing Company (R. 494-496). Plaintiff first learned of Larson's patent application by the

declaration of the interference and Plaintiff's attorney immediately expressed doubts that the interference would go forward because of Larson's hopeless situation in the interference (Pl. Exhs. 60, 61, R. 903-904; Def. Exhs. 84, 85, R. 1080-1082).

As soon as Plaintiff's attorney saw Larson's sworn preliminary statement claiming invention in 1934, he expressed positive disbelief, which was corroborated by the doubts of his Washington associate (Def. Exhs. 87, 88, R. 1084-1086). Plaintiff immediately ordered an investigation by private detectives (R. 747, 748). What they learned in the first seven weeks of their investigation is detailed in memoranda of Plaintiff's attorney (Def. Exh. 13, R. 928-934).

It was clear throughout the case and found expressly by the District Court (Finding 10, R. 1124) that Larson would have prevailed in the interference if his claimed dates and the proofs taken by deposition in support thereof were true.

For one week in October, 1940, Larson's proofs were taken under oath to support his falsely claimed dates of invention in 1934. In these proofs he completely suppressed any mention of his collaborator, Thomasma (Def. Physical Exh. 10).

Larson offered Interference Exhibit 27 (here Pl. Exh. 56, R. 897) as a signed drawing made by a high school boy and dated May, 1936, in support of his early work. That drawing was actually made by Thomasma in 1938, while still employed by Plaintiff (R. 218, 321).

Before Larson's proofs closed, Thomasma sought out Plaintiff and had a Sunday evening meeting with Plaintiff's president and attorney at the latter's home, where he disclosed the facts (Finding 6, R. 1123). Plaintiff's president reviews this meeting in a letter to his attorney

(Def. Exh. 11, R. 923-928). Within the following week Thomasma dictated, at Plaintiff's attorney's home, an affidavit of twenty thousand words (Def. Exh. 21, R. 952-1012) of detailed facts about Larson's claimed invention, showing positive knowledge of every detail of the disputed facts and disclosing Thomasma's authorship of the falsely dated drawing. This remarkable document was initialed and sealed on each of its eighty-three pages (Finding 7, R. 1123).

Thereupon, Plaintiff's attorney called Harry C. Alberts, Larson's attorney in the interference, and disclosed Plaintiff's possession of the facts (R. 761-765). Larson's attorney confronted Larson with the disclosure and Larson employed another attorney, M. K. Hobbs.

A month of negotiations followed in which Plaintiff presented Larson's attorney with proposed contracts drawn by Plaintiff reciting—in the face of Larson's false proofs to the contrary—that "Zimmerman is the prior inventor of the subject matter involved in" the interference (Def. Exh. 14, R. 935). Plaintiff's attorney laid down a twenty-four hour ultimatum for settlement (R. 903). Larson's attorney, Hobbs, then withdrew and Larson returned to Alberts, the attorney who had taken his interference proofs. Plaintiff's attorney thereupon charged attorney Alberts as follows:

> "You must recognize that a large part of the testimony taken on behalf of Snap-On and Larson is, to put it mildly, not the whole truth. Mr. Johnson of Snap-On has been fully advised of the situation—so far as it has developed—and I assure you that there are further developments to still be revealed. You and Mr. Johnson should—if you do not—realize that you are holding up the issuance of the Zimmerman patent without the slightest justification. . . ." (R. 1049.)

In explanation of the last sentence in the letter, Plaintiff's attorney testified:

> "Q. In your pretrial deposition, when you were asked with respect to the holding up of the issue of the Zimmerman patent without the slightest justification, and I now read from page 9 of your pretrial deposition:
>
> 'Question: You felt on December 19, 1940 that Mr. Johnson and Mr. Alberts were holding up the issue of the Zimmerman patent without any justification, did you not?'
>
> and you answered:
>
> 'Answer: Well, these people had already come to me and wanted to settle the Interference on the basis proposed by Mr. Hobbs, and when negotiations after all that time had gone forward and then broken off we felt that it was a scheme for delay because at that time wrenches of the type involved in the Interference were being manufactured by the Precision crowd,'
>
> and I then asked you the following question:
>
> 'Question: Merely the falling off or breaking of negotiations for settlement would not justify you in saying to Mr. Alberts and Mr. Johnson that they were holding up the issue of the Zimmerman patent without any justification, would it?'—
>
> and you answered:
>
> 'Answer: Well, after they had told us Zimmerman was the prior inventor and we hadn't yet received a concession of priority, it certainly would.'" (R. 822-823.)

thus disclosing positive knowledge of Larson's admission that his proofs of priority to Zimmerman were false.

Within a day or two after the charges contained in Plaintiff's attorney's letter, Hobbs resumed representation of Larson. The settlement was then promptly concluded, whereby Plaintiff took an assignment of Larson's patent

application (which had been repeatedly supported by false oaths in the Patent Office and the perjured interference testimony) and contracts by all of the petitioners that they would not thereafter

> "directly or indirectly, infringe any of the claims (now or hereafter allowed) of said Larson application, * * *
> "* * * directly or indirectly contest the validity of any claim or claims of any Letters Patent that may issue upon said Zimmerman and Larson applications." (R. 917, 921, 922.)

The contracts (Def. Exh. 4 and 5) also contain covenants by petitioners not to make the wrenches, then still unpatented, after six thousand (6,000) on order had been delivered (R. 916-917, 921), a provision obviously in restraint of trade.

The settlement necessarily required Larson to execute a formal concession of priority to Plaintiff's inventor, Zimmerman, which, in the face of Larson's proofs, constituted his written admission that those proofs were false.

Thus, when Plaintiff took the concession from Larson and filed it in the Patent Office, Plaintiff must have recognized that Larson's proofs were false, or it could not have filed the contradictory concession without practicing a fraud upon the Patent Office by holding out Plaintiff's inventor as being the lawful inventor.

Immediately after conclusion of the settlement, Plaintiff's attorney wrote to the reporter who had taken the perjured proofs, instructing him immediately to deliver to Larson's attorney, Alberts; who had employed the reporter, "each and every notebook" employed by the reporter in reporting the perjured testimony and "the original copy of such testimony" (Pl. Exh. 16, R. 845). The perjured testimony (Def. Physical Exh. 10) has never been fully transcribed.

Larson's perjury first became publicly known when Petitioners pleaded the facts in this case, two years after the settlement was concluded.

Thomasma was, after this settlement, a frequent and intimate correspondent of Plaintiff's attorney and president (R. 949, 1002, 1021-1036) and two weeks after this suit was filed was paid Two Hundred Dollars ($200.00) and given a second hand machine tool (R. 338-340, Def. Exh. 27, R. 1020).

Even if it be assumed that Hobbs' testimony is to be accepted without any qualification and all of the evidence in conflict therewith is to be discarded, as the Circuit Court of Appeals did, although unwarranted both by the evidence itself and by law in so doing, there is still ample substantial evidence to support the findings of the District Court.

Thus the recitals in the settlement contracts, the letter of plaintiff's Counsel charging Larson's attorney with holding up the issuance of Zimmerman's patents without the "slightest justification", and plaintiff's attorney's testimonial admission that

> "* * * they had told us Zimmerman was the prior inventor * * *"

show irrebuttably positive knowledge of Larson's perjury before the settlement was effected.

The Circuit Court of Appeals said that prior to those dates (meaning early 1943 when the perjury was pleaded by Petitioners)

> "* * * plaintiff and its attorneys, of course were morally certain that Thomasma's story was true, but they did not think the uncorroborated evidence of their traitorous former employee would be accepted against Larson's nine witnesses." (R. 1220-1.)

If plaintiff and its attorneys were "morally certain" that Thomasma's story was true, as the Circuit Court of

Appeals said, then adding to that moral certainty the proposed agreement in December of 1940, Plaintiff's being informed by Larson's attorney that "Zimmerman was the prior inventor," and Plaintiff's letter telling Larson's attorney that he was holding up the issue of the Zimmerman patent without the slightest justification—then in 1940 and not in 1943 there was enough proof to "convince any lawyer of normal perc ption" that Larson's interference proofs were perjured.

It is obvious that the conduct of Plaintiff in employing the perjury of its adversaries to procure a patent application which Plaintiff subsequently, and more than two years after it was filed, expanded from fourteen to thirty-two claims, and a contract placing substantial commercial restraints upon petitioners, warranted the District Court in dismissing a complaint brought to enforce the expanded patent and contracts so procured.

II.

The Circuit Court of Appeals' Ruling Rejecting Express Findings of the District Court and the Evidence in Support Thereof, Because of an Observation in a "Memorandum" of the District Court, Conflicts With a Rule of Law, Long Enforced by This Court, That Findings Cannot Be Controlled by an Opinion.

The Circuit Court of Appeals rejected the express findings of the District Court and all evidence in support thereof because of its complete misapprehension of the relative place in judicial proceedings of findings and opinions by the trial court.

This Court, in 1896, in *Stone* v. *United States*, 164 U. S. 380, 383, in a civil suit brought to recover the value of property destroyed by Indians, found that a finding of fact

could not be modified by the opinion of the trial court, stating:

> "We are not at liberty to refer to the opinion for the purpose of eking out, controlling, or modifying the scope of the findings."

This rule that the findings of fact are the controlling determination of the trial court and are not subject to qualification or control by an opinion has been the established rule of the federal courts. *United States* v. *Flower*, 108 F. (2d) 298, 301; and *American Ins. Co.* v. *Schaufler*, 129 F. (2d) 143, 146 (both in the Eighth Circuit).

In the former case the appellant relied upon certain statements from the trial judge's opinion in direct conflict with the findings, and the Circuit Court of Appeals held:

> "It is not the opinion that controls, however, but the findings of fact made by the trial judge." (p. 301)

In fact, in cases where the findings of fact were inadequate to support a judgment, the courts have uniformly refused to permit them to be supplemented by facts in the opinion. *Leverett Saltonstall* v. *Joseph Birtwell*, 150 U. S. 417, 419.

The Circuit Court of Appeals in this case was not in a position of having an *opinion* conflicting with express findings of fact. The Court had merely a brief memorandum by the trial judge, made on the *ex parte* request of a witness, Hobbs, with respect to that witness' testimony and without any reference to the merits of the case except that "The Court has entered written findings and conclusions." Thus, the only record of the District Court's determination of the merits of the case is that expressed in the Findings of Fact and Conclusions of Law.

The Court then withdrew his oral opinion which had dealt with the merits of the case. That opinion apparently implied that Hobbs had "wilfully given false testimony"

and the District Court in his memorandum stated that "It appears from an examination of the record that the witness Hobbs did not testify falsely;" (R. 1126). Upon this remark the Circuit Court of Appeals found it to be its "*duty to disregard all other evidence which cannot be reconciled*" with the testimony of Hobbs (R. 1221).

The Circuit Court of Appeals completely misapprehended its function and power in this situation in employing a random observation as to a witness to overthrow the findings of the District Court and the District Court's judgment upon the credibility of the witnesses, whose testimony the District Court had found to be "in irreconcilable conflict" (Finding 10, R. 1124; Finding 4, R. 1123).

III.

The Decision of the Circuit Court of Appeals Announces a Construction of Federal Rule of Civil Procedure 52(a) Which Directly Conflicts With the Terms of the Rule and Numerous Decisions of Other Circuit Courts of Appeals and Decides an Important Question of Federal Law Which Has Not Been and Should Be Settled by This Court.

The Circuit Court of Appeals, in its review of this case, completely disregarded that provision of Federal Rule 52(a), "Findings of Fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the Trial Court to judge of the credibility of the witnesses".

The scope of review available in an equity case under this rule has been the subject of scores of conflicting decisions.

In the earlier case of *Webb* v. *Frisch*, 111 F. (2d) 887, 888, the Seventh Circuit Court of Appeals observed:

"We cannot say that a finding of fact of prior use

is 'clearly erroneous' merely because we might have entertained some doubt about the quantum of evidence."

In *Manning* v. *Gagne*, 108 F. (2d) 718, 720, the First Circuit Court of Appeals said:

"We are not called upon here to decide whether there was substantial evidence warranting findings by the judge different from those which he made, but only whether his findings are clearly erroneous within Rule 52(a) * * *"

In *Kuhn* v. *Princess Lida of Thurn and Taxis*, 119 F. (2d) 704, 705, the Third Circuit Court of Appeals said of this rule:

"So long, therefore as a finding of fact is supported by evidence and is not clearly erroneous, it is to be accepted on appeal as verity;"

This idea also finds expression in *Andrew Jergens Co.* v. *Conner*, Sixth Circuit Court of Appeals, 125 F. (2d) 686, 689, where the court held that the findings were conclusive upon it:

"* * * no matter how convincing the argument, that upon the evidence the findings should have been different, unless there is no substantial evidence to support them."

In *Anglo-California National Bank* v. *Lazard*, Ninth Circuit Court of Appeals, 106 F. (2d) 693, 703 (cert. den., 308 U. S. 624, 84 L. ed. 521, 60 S. Ct. 379) the court, after concluding that there was substantial evidence to support the findings, observed that—

"the weight to be given to the evidence was for the trial court and not for this court."

In this case the Circuit Court of Appeals not only did set aside all of the findings of the District Court but it did so upon a rejection of evidence accepted by the District

Court and found by the Circuit Court of Appeals not to be reconciled with the evidence of one Hobbs. The Circuit Court of Appeals thus gave no regard to the trial court's opportunity "to judge of the credibility of the witnesses" and reached its own conclusion that the findings of fact were erroneous and unsupported by substantial evidence by weighing the testimony of the respective witnesses. The Circuit Court of Appeals itself found "conflicts in the evidence" which "cannot be reconciled so as to believe all the testimony of these three witnesses" (R. 1221).

The manner in which the Circuit Court of Appeals has applied the provision of this rule is in direct conflict with the express terms of the rule and in express conflict with its own application of the rule in *Webb* v. *Frisch*, 111 F. (2d) 887, 888.

The question under Rule 52(a) as to the power of a Circuit Court of Appeals to substitute its judgment of the credibility of the witnesses in a case in which all the testimony was taken by the District Court, and reported by the District Court as in "irreconcilable conflict", is an important question of federal procedural law which this Court has not decided and should decide.

Respectfully submitted,

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